

# DIRECTIVE

## WORKFORCE INVESTMENT ACT

Number: WIAD01-10

Date: February 1, 2002  
69:136:lh:4630

TO: WORKFORCE DEVELOPMENT COMMUNITY

SUBJECT: FUNDS UTILIZATION REQUIREMENTS FOR WIA FUNDS

### EXECUTIVE SUMMARY:

#### Purpose:

This directive establishes State policy and procedures for the recapture and reallocation of underobligated Workforce Investment Act (WIA) Title I formula funds.

#### Scope:

Funds utilization requirements are applicable to adult, youth, and dislocated worker funds allocated by formula to Local Workforce Investment Areas (LWIA). The funds utilization requirement does not apply to Rapid Response 25 percent funds or projects funded using 15 percent Governor's discretionary funds.

#### Effective Date:

This directive is effective July 1, 2001, for Program Year (PY) 2001-02 funds and thereafter.

### REFERENCES:

- WIA Sections 127(c) and 132(c)
- WIA Sections 128(c) and 133(c)
- Code of Federal Regulations, Title 20 (20 CFR) Sections 660.300 and 667.160

### STATE-IMPOSED REQUIREMENTS:

This document contains state-imposed requirements. These requirements are in ***bold italic*** print.

### FILING INSTRUCTIONS:

This directive finalizes Draft Directive WIADD-27, issued for comment on January 3, 2002. Retain this directive until further notice.

## BACKGROUND:

On August 7, 1998, the President signed the WIA as enacted by Congress, which replaced the Job Training Partnership Act (JTPA). On an annual basis, federal funds are provided to the Department of Labor, which is the designated agency for administering the WIA program. The Secretary of Labor allocates these funds to the states and, as required by law, has implemented the 80 percent obligation rate requirement for each of the states. On receipt of funds, the Governor of California allocates these funds to the LWIAs by formula. In accordance with the WIA, the Governor has the option to establish an 80 percent obligation rate requirement on formula funds provided to each LWIA.

## POLICY AND PROCEDURES:

It is the responsibility of each LWIA to ensure that funds are obligated appropriately at the level set by the State. The Workforce Investment Division (WID) will work with the LWIAs on a case-by-case basis to assist them in resolving any problems with obligation of funds.

### I. RECAPTURE PROVISIONS-Title I–Youth, Adult, and Dislocated Worker

***The LWIAs are required to obligate at least 80 percent of their program dollars by the end of the program year.***

A sample calculation is as follows:

- \$100,000 Allocation
- (\$10,000) Administration Reserve of 10 percent
- \$90,000 Remaining to obligate

$\$90,000 \times .80 = \$72,000$  (required obligation amount).

Obligations means the amounts of orders placed, contracts and subgrants awarded, goods, and services received and similar transactions during a funding period that will require payment by the recipient or subrecipient during the same or future period.

For these programs, an allocation to a LWIA includes:

- The initial allocation for that program year.
- Any increase or decrease to the initial allocation. This includes any funds transferred to or from another fund source, (e.g., from adult to dislocated worker). Therefore, if the allocation is increased or decreased, the 80 percent factor adjusts accordingly.

Funds utilization analysis will be based on fourth quarter expenditure reports due to the WID by July 20, for each program year. If the filing date for fourth quarter

reports is missed, then calculations will be based on the latest financial information available to WID as of July 20 each year. Any unobligated funds that exceed 20 percent of the prior year's program allocation are considered excess and will be recaptured/returned to the State by means of reduction, via unilateral subgrant modification, to the prior program year's allocation. For example, excess unobligated PY 2001-02 funds would be deobligated from the PY 2001-02 allocation. The State will reallocate recaptured funds to eligible LWIAs as identified in Section II below. ***The first recapture/reallocation will be calculated for funds allocated for PY 2001-02, based on financial reports submitted to WID as of July 20, 2002, for the period ending June 30, 2002. Funds utilization will be computed separately for each funding stream.***

## II. REALLOCATION

To be eligible to receive youth, adult, or dislocated worker funds under the reallocation procedures, a local area must meet the 80 percent minimum obligation requirement. A local area's eligibility to receive a reallocation must be separately determined for each funding stream. An equitable share amount based on the original allocation percentage will be used to reallocate funds. Each LWIA will be given the opportunity to accept or decline the reallocated funds. Our goal is to reallocate the funds by October 31 of each program year.

## III. EFFECT OF RECAPTURE/REALLOCATION ON ADMINISTRATIVE FUNDS

Based on direction from the Department of Labor, the loss of a portion of a LWIAs allocation to recapture does not result in the loss of administrative funds available to the LWIA. Conversely, the acceptance of a reallocation of recaptured funds does not result in an increase of the administrative funds available to the LWIA. Cost compliance of administrative limits is measured at the end of the two-year life of the funds.

### **ACTION:**

It is the LWIAs' responsibility to establish, maintain and exercise ongoing controls to ensure compliance with these requirements.

### **INQUIRIES:**

Please direct questions regarding this directive to your assigned [Regional Advisor](#).

/S/ BILL BURKE  
Chief